



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 5/6/2002

GAIN Report #AR2028

Argentina

Canned Deciduous Fruit

Annual

2002

Approved by:

David Mergen

U.S. Embassy

Prepared by:

Francisco Pirovano

Report Highlights:

Lower fresh production and depressed prices have reduced production of canned peaches to a level not seen since 1996. Exports are more profitable due to the Argentine peso devaluation and should increase slightly despite lower production. Domestic consumption is expected to fall drastically due to the economic crisis.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Buenos Aires [AR1], AR

Executive Summary	1
Section I: Situation and Outlook	1
Production	1
Consumption	2
Trade	2
Policy	3
Marketing	4
Section II: Statistical data	4
Table 1: Supply & Distribution	4
Table 2: Imports	4
Table 3: Exports	5
Table 4: Prices	6

Executive Summary

During CY 2001, a fall in FOB prices of 15% and an oversupply of canned peaches brought domestic prices to a very low level. Due to the latter, farmers did not have enough economic resources to carry out regular agronomic practices. That, together with abnormal rainfalls in the winter time, provoked a drop of 22% in fresh fruit production. The unfavorable weather, also caused losses in fruit quality. As a result, more fruit is expected to be sent to the production of peach pulp than normal as second quality fruit is the main raw material for this industry.

In January 2002, when the Argentine peso was devalued, foreign markets became more attractive than the domestic one. Companies with export capacity started to compete for the limited available fresh fruit. Pulp factories which usually use second quality fruit for exports, started to purchase first quality fruit. This competition is expected to impact negatively on canned peach production, making it drop to 55,000 tons. Its historical share of 60% of the total fresh peaches production is expected to fall to 45%.

The canned peaches manufacturing sector consisted of 20 to 30 firms in the 1990's. Now just a handful of companies operate in the sector.

Section I: Situation and Outlook

Production

Fresh fruit delivered to process in CY 2002 is expected to fall 12 % to 90,000 tons with respect to the 102,000 tons produce in CY 2001. Sources in the industry have mentioned that a combination of both, unfavorable weather conditions and the lack of timely agronomic practices are the main causes of the losses in CY 2002.

Regarding the manufacturing sector, eight factories with a fresh fruit processing capacity of 12,000 tons per year each, cover 72% of the total canned peach production. Traditionally, of the total fresh production sent to processors, 67% went to canned in halves, 18% to concentrated pulp, 8% to canned fruit cocktail, 4% to marmalade, 1% to peaches cubes and 2 % to others. In CY 2002 that proportion was modified.

Canned peach production for CY 2002 is forecast at 55,000 tons, 22% down from that of CY 2001. Therefore, 10 % less fresh fruit will be sent to the production of canned peaches in CY 2002. The main reason for that being the lower yield and poor quality of the production, the new economic environment posed by the peso devaluation in January 2002, the lower price of canned peaches and the higher FOB price of peach pulp.

Lower quality

During CY 2001 farmers went through a deep economic recession which made them unable to carry out the management practices needed to keep the orchards in good shape. In addition unsuitable rainfalls worsened the situation creating the right environment for the development of plagues, especially fungi, which attacked the plantations. The consequence of all that was the production of a larger proportion of fruit of lower quality than normal which in 2002 is expected to be sent to peach pulp factories instead of canned peach factories.

Argentine peach production for industrial purposes is concentrated in the Province of Mendoza. A total of 763 farms covering 7,380 hectares produce an annual average of 100,000 tons of fresh fruit. Sixty percent of farms are located in the south of the Province and have an average area of 5.4 ha, representing just 33% of the total peach planted area for industrial purposes. These small farmers utilize agricultural techniques which render a very low yield, providing only 23% of the total production. Besides the agronomic constraints, the area where these farms are concentrated is hail prone which means regularly lower yields than in the other production areas in the Province.

The new economy

The January devaluation of the peso changed the economic environment and exports started to be seen as the most profitable option. Canned peach producers have, however, had to compete for supplies with the peach pulp industry. FOB prices for canned peaches in CY 2001 fell 15 % on average with respect to 2000, while FOB price for peaches pulp were going up. As a consequence, the peach pulp industry, traditionally not a competitive, has begun to purchase first quality peaches, traditionally used for the canned peaches industry, contributing to the drop in canned peach production.

Consumption

Domestic consumption of canned peaches has been around 70 to 74,000 tons. In CY 2002, it is forecast to 53,000 tons because of the lower production in CY 2002 and higher demand from the export sector relative to the depressed local market.

Trade

During the last two years Argentina has switched from being a net importer of canned peaches to a small net exporter. Application of safeguard and antidumping duties resulted in a large drop in imports in CY 2001. Devaluation of the peso earlier this year has made imports even less competitive and has increased the prospect for exports.

Exports

Canned peaches exports in CY 2000 totaled 935 tons valued at 1,123,000 US\$. The main importers were Brazil with 376 tons at 524,000 US\$, Bolivia 219 tons at 484,000 US\$, Uruguay 116 tons at 163,000 US\$ and Paraguay 49 tons at 51,964 US\$. In CY 2001 Argentina exported 2,268 tons of canned peaches valued at 2,044,000 US\$. In that period of time the main importers were: Uruguay 753 tons at 547,000 US\$, Brazil 672 tons at 645,000 US\$, Japan 277 tons

300,000 US\$, Paraguay 195 tons at 150,000 US\$, Bolivia 179 tons at 143,000 US\$ and the Dominican Republic 95 tons at 188,000 US\$. In CY 2002 exports of canned peaches are forecast to increase around 10% because of the better exchange rate.

Imports

Imports of canned peaches in CY 2000 totaled 12,220 tons, which represented 7.1 millions US\$. The main exporter was Greece with 6,754 tons valued at 3.2 millions US\$ followed by Chile and Spain with 4,509 tons valued at 3.4 millions US\$ and 953 tons valued at 527,000 US\$ respectively. In Cy 2001 Argentina imported 499 tons valued at 254,000 US\$. Main exporters were Greece and Chile. Imports in CY 2002 are expected to fall once again due to the imports restrictions and the much weaker peso. Imports will main consist of sales made before the devaluation of the peso in January.

Policy

Imports

Imports to Argentina of canned peaches from Mercosur country members pay no tariff. Imports from countries outside the Mercosur common agreement, pay the Common External Tariff (CET) of 16.5%. Argentina also applies a "Safeguard Clause Duty" for those countries outside the Mercosur agreement (excluding South Africa) of 0.45 US\$ per net kilo of imported canned peaches. In addition, those canned peaches coming from Greece via a Mercosur country member must pay a tariff which varies depending on the transit country. Canned peaches shipped from Greece through Brasil pay 55%, through Uruguay 17% and through Paraguay 14%.

Exceptions to the above are shipments from Chile and Bolivia, which pay 11.55% since they receive a preferential tariff discount of 30%, and Brazil which has a limited annual quantity or quota of 60,000 cans allowed into Argentina..

The Argentine government imposed in 1996 an anti-dumping tariff for the European Union which depends on the country of origin. It is set at 18.12% for Italy, 12.55% for Spain and 12.13% for others EU members. In January 2002, this tariff was unified and lowered to 10.5% for all EU country members. All imports of canned peaches pay a 0.5% statistical tax.

	Mercosur	Brazil	EU	Chile & Bolivia	World
CET (Common External Tariff)	0	0	16.5 %	11.55 %	16.5 %
Statistical tax	0.5 %	0.5 %	0.5 %	0.5 %	0.5 %
Safeguard Clause Duty	0	0	0.45 US\$ / Kg.	0.45 US\$ / Kg.	0.45 US\$ / Kg. *
Countervail duty	0	0	10.5%	0	0
Quotas	0	60,000 cans	0	0	0

* For all countries outside the Mercosur area but South Africa.

Exports

Export taxes

In an effort to raise revenue, the government imposed export taxes on a wide range of agricultural and non agricultural products in March 2002. The export tax on canned peaches was set at 5% .

Rebates

Exports of canned peaches receive a 4.5% reimbursement payment of the FOB value of the shipment. Traders, recently, have not been receiving the rebate payments due to budgetary problems at the national level. However, the Minister of Economy has pledged to pay the rebates in monthly payments in the second half of 2002.

Marketing

There are five recognized trade marks in Argentina which account for 65% of the market. Supermarkets' own brands also known as B-brands have in recent years taken a bigger share of the market with prices 35% below the other well-known brands.

Section II: Statistical data

Table 1: Supply & Distribution

PSD Table						
Country	Argentina					
Commodity	Canned Peaches				(MT)(MT, Net Weight)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Deliv. To Processors	76938	76938	102810	102810	110000	90000
Beginning Stocks	0	0	1605	1605	743	356
Production	62320	62320	70520	70520	72980	55000
Imports	12220	12220	498	499	450	450
TOTAL SUPPLY	74540	74540	72623	72624	74173	55806
Exports	935	935	880	2268	1230	2500
Domestic Consumption	72000	72000	71000	70000	71000	53000
Ending Stocks	1605	1605	743	356	1943	306
TOTAL DISTRIBUTION	74540	74540	72623	72624	74173	55806

Table 2: Imports

Import Trade Matrix			
Country	Argentina		

Commodity	Canned Peaches		
Time period	CY	Units:	MT
Imports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Greece	6754	Greece	436
Chile	4509	Chile	61
Spain	953	Spain	0
Brazil	0	Brazil	2
Total for Others	12216		499
Others not Listed	4		0
Grand Total	12220		499

Table 3: Exports

Export Trade Matrix			
Country	Argentina		
Commodity	Canned Peaches		
Time period	CY	Units:	MT
Exports for:	2000		2001
U.S.	122	U.S.	38
Others		Others	
Uruguay	116	Uruguay	753
Brazil	376	Brazil	672
Japan	0	Japan	277
Paraguay	49	Paraguay	195
Bolivia	219	Bolivia	179
Dominican Rep.	0	Dominican Rep.	95
Chile	24	Chile	12

Total for Others	784		2183
Others not Listed	29		47
Grand Total	935		2268

Table 4: Prices

Prices Table			
Country	Argentina		
Commodity	Canned Peaches		
Prices in		per uom	
Year	2000	2001	% Change
Jan	1.03	0.98	-4.85%
Feb	0.97	0.48	-50.52%
Mar	1.02	0.83	-18.63%
Apr	0.91	0.89	-2.20%
May	0.88	0.62	-29.55%
Jun	0.55	0.76	38.18%
Jul	0.88	0.78	-11.36%
Aug	0.92	0.76	-17.39%
Sep	1.03	0.73	-29.13%
Oct	1.03	0.7	-32.04%
Nov	0.93	0.7	-24.73%
Dec	0.86	0.71	-17.44%
Exchange Rate	1peso/1US\$	Local currency/US\$	